PENNSYLVANIA MEDICAL SOCIETY

Consolidated Financial Statements with Supplementary Information

December 31, 2019 and 2018

Kreischer Miller

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PENNSYLVANIA MEDICAL SOCIETY
December 31, 2019 and 2018

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Independent Auditors' Report

The Members and the Board of Trustees
Pennsylvania Medical Society
Harrisburg, Pennsylvania

We have audited the accompanying consolidated financial statements of Pennsylvania Medical Society, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Pennsylvania Medical Society as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statements of financial position and of activities are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Kreischer Miller

Horsham, Pennsylvania
July 23, 2020

PENNSYLVANIA MEDICAL SOCIETY

Consolidated Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents (Note 2)	$ 5,782,963	$ 7,602,977
Accounts receivable (Note 2)	652,759	399,451
Prepaid expenses and advances	356,753	369,637
Investments (Notes 2 and 4)	176,062,452	161,811,634
Accrued interest receivable	198,028	170,251
Assets held in charitable remainder trust (Notes 4 and 8)	120,029	102,813
Other receivables (Note 9)	263,463	943,272
Loans receivable (Note 5)	4,433,785	4,394,734
Property and equipment, net (Notes 2 and 6)	3,676,736	2,224,274
Beneficial interest in perpetual trust (Notes 4 and 7)	780,390	675,548
Contributions receivable from split-interest agreements (Notes 4 and 8)	121,342	118,904
TOTAL ASSETS	$ 192,448,700	$ 178,813,495
LIABILITIES AND NET ASSETS		
Liabilities:		
Membership dues collected in advance (Note 2)	$ 1,727,920	$ 2,272,492
Accounts payable and accrued expenses	729,362	396,335
Liabilities under split-interest agreement (Notes 4 and 8)	173,436	180,420
Pension liability (Notes 2 and 11)	13,602,352	15,266,958
Other liabilities (Note 2)	535,409	1,587,296
Postretirement healthcare plan (Notes 2 and 12)	171,243	223,514
Deferred gain on sale of building (Note 6)	168,622	236,072
Total liabilities	17,108,344	20,163,087
Net Assets (Note 2):		
Without donor restrictions:		
Board designated endowment fund (Notes 14 and 15)	120,872,766	111,134,797
Board designated special purpose funds (Note 14)	49,165,940	46,541,363
Undesignated	943,134	(2,800,171)
	170,981,840	154,875,989
With donor restrictions (Note 16)	4,358,516	3,774,419
Total net assets	175,340,356	158,650,408
TOTAL LIABILITIES AND NET ASSETS	$ 192,448,700	$ 178,813,495

See accompanying notes to consolidated financial statements.

PENNSYLVANIA MEDICAL SOCIETY

Consolidated Statements of Activities
Years Ended December 31, 2019 and 2018

	2019	2018
Changes in net assets without donor restrictions:		
Revenues and other support:		
Membership dues	$ 2,963,706	$ 2,977,199
Contract revenue	330,865	81,234
Fees for services	1,178,418	1,051,240
Specialty Society Management Services	2,326,891	2,382,325
Physician Services	89,603	119,844
CME Certification/ Accreditation	153,427	114,530
Interest income on loans	211,074	183,850
Interest income	30,962	28,732
Contributions, bequests, and fundraising	483,791	479,716
Endorsement agreement (Note 13)	200,000	200,000
Miscellaneous	196,818	72,247
	8,165,555	7,690,917
Expenses:		
Programs and services:		
Physician advocacy and political affairs	1,766,160	1,723,513
Physician leadership, education, and practice support	2,091,060	2,068,610
Membership communications	1,234,337	1,491,122
Membership leadership	726,997	756,658
Clinically integrated network	2,639,180	2,136,760
Medical student loans	81,170	198,938
LifeGuard	600,826	573,575
Physicians' Health Programs	920,560	743,259
General projects	239,169	164,701
Political action program	95,601	137,274
	10,395,060	9,994,410
Administration and support:		
Management and general	3,361,258	3,819,353
Fundraising	2,562,792	1,909,644
	16,319,110	15,723,407
Changes in net assets without donor restrictions before investment return, net, other changes, and pension related changes other than net periodic pension costs	(8,153,555)	(8,032,490)
Investment return, net		
Net realized and unrealized gains (losses) in fair value of investments, net of investment fees	22,818,658	(15,601,322)
Interest and dividend income	2,533,419	4,247,879
	25,352,077	(11,353,443)

Continued...

PENNSYLVANIA MEDICAL SOCIETY

Consolidated Statements of Activities, Continued
Years Ended December 31, 2019 and 2018

	2019	2018
Changes in net assets without donor restrictions before other changes and pension related changes other than net periodic pension costs	17,198,522	(19,385,933)
Other changes:		
Other components of net periodic pension cost	(697,917)	(438,996)
Net assets released from donor restrictions	228,323	149,160
	(469,594)	(289,836)
Changes in net assets without donor restrictions before pension related changes other than net periodic pension costs	16,728,928	(19,675,769)
Pension related changes other than net periodic pension costs (Note 11)	(637,477)	(90,053)
Changes in net assets without donor restrictions	16,091,451	(19,765,822)
Changes in net assets with donor restrictions:		
Contributions	244,678	244,734
Realized and unrealized gains (losses), net	441,985	(210,947)
Unrealized gains (losses) on beneficial trust	104,842	(88,444)
Income on long-term investments	51,718	54,349
Change in value of split-interest agreements	(16,403)	(6,848)
Net assets released from restrictions	(228,323)	(149,160)
Changes in net assets with donor restrictions	598,497	(156,316)
Changes in net assets	16,689,948	(19,922,138)
Net assets, beginning of year	158,650,408	178,572,546
Net assets, end of year	$ 175,340,356	$ 158,650,408

See accompanying notes to consolidated financial statements.

PENNSYLVANIA MEDICAL SOCIETY

Consolidated Statement of Functional Expenses
Year Ended December 31, 2019

	2019			
	Programs	Management and General	Fundraising	Total
Salaries, benefits, payroll taxes	$ 6,766,230	$ 956,855	$ 2,010,816	$ 9,733,901
Occupancy	391,851	530,732	120,745	1,043,328
Outside services	1,382,653	239,642	2,703	1,624,998
Travel and meetings	148,507	33,517	14,542	196,566
Training and seminars	230,892	240,191	23,777	494,860
Communications/publications	139,060	2,119	7,003	148,182
Dues/licenses/subscriptions	57,710	48,576	1,144	107,430
Insurance	72,572	142,239	-	214,811
Audit/taxes	3,599	86,685	-	90,284
Office expenses	84,943	46,339	33,904	165,186
Computer/mail services	33,700	173,518	150,468	357,686
Scholarships granted	47,764	-	-	47,764
Projects	897,699	426,128	164,206	1,488,033
Depreciation	104,623	184,565	33,484	322,672
Grants	-	250,000	-	250,000
Bad debt	(63,290)	-	-	(63,290)
Loss on equipment retirement	946	152	-	1,098
Political action program	95,601	-	-	95,601
	$ 10,395,060	$ 3,361,258	$ 2,562,792	$ 16,319,110

Continued...

PENNSYLVANIA MEDICAL SOCIETY

Consolidated Statement of Functional Expenses, Continued
Year Ended December 31, 2018

	2018			
	Programs	Management and General	Fundraising	Total
Salaries, benefits, payroll taxes	$ 6,331,946	$ 1,620,191	$ 1,450,533	$ 9,402,670
Occupancy	383,924	476,583	96,675	957,182
Outside services	1,171,905	413,492	8,291	1,593,688
Travel and meetings	131,326	49,965	12,311	193,602
Training and seminars	215,274	199,604	20,642	435,520
Communications/publications	243,386	5,737	7,788	256,911
Dues/licenses/subscriptions	62,539	41,108	2,132	105,779
Insurance	40,057	104,685	522	145,264
Audit/taxes	3,251	76,875	-	80,126
Office expenses	68,558	59,740	26,374	154,672
Computer/mail services	32,678	290,735	1,639	325,052
Scholarships granted	56,075	-	-	56,075
Projects	1,028,640	355,287	263,086	1,647,013
Depreciation	79,071	125,020	19,651	223,742
Bad debt	7,048	-	-	7,048
Loss on equipment retirement	1,458	331	-	1,789
Political action program	137,274	-	-	137,274
	$ 9,994,410	$ 3,819,353	$ 1,909,644	$ 15,723,407

See accompanying notes to consolidated financial statements.

PENNSYLVANIA MEDICAL SOCIETY

Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Changes in net assets	$ 16,689,948	$ (19,922,138)
Adjustments to reconcile changes in net assets to net cash and cash equivalents used in operating activities:		
Depreciation	323,302	223,742
Net gain on sale of investments	(994,196)	(2,342,392)
(Gain) loss on assets held in charitable remainder trusts	(17,216)	17,270
Net loss on disposal of property and equipment	8,727	426,372
Amortization of deferred gain on sales-leaseback transaction (Note 6)	(67,450)	(67,450)
Unrealized (gain) loss on investments	(22,810,108)	17,703,284
Unrealized (gain) loss on beneficial trust	(104,842)	88,444
Change in assets and liabilities:		
(Increase) decrease in assets:		
Accounts and reimbursements receivable	(253,308)	115,259
Other receivables	679,809	20,255
Prepaid expenses and advances	12,884	(51,935)
Accrued interest receivable	(27,777)	(18,495)
Loans receivable	(39,051)	104,551
Contributions receivable from split-interest agreements	(2,438)	(3,175)
Increase (decrease) in liabilities:		
Membership dues collected in advance	(544,572)	199,956
Accounts payable and accrued expenses	333,027	171,116
Liability under split-interest agreement	(6,984)	(20,875)
Pension liability	(1,664,606)	(2,470,951)
Postretirement healthcare plan	(52,271)	(266,675)
Other liabilities	(1,051,887)	(40,739)
Net adjustments	(26,278,957)	13,787,562
Net cash and cash equivalents used in operating activities	(9,589,009)	(6,134,576)
Cash flows from investing activities:		
Purchase of investments	(53,063,047)	(48,309,427)
Proceeds from sale of investments	62,616,533	56,815,683
Purchase of property and equipment	(1,785,516)	(1,538,916)
Proceeds from sale of property and equipment	1,025	-
Net cash and cash equivalents provided by investing activities	7,768,995	6,967,340
Net increase (decrease) in cash and cash equivalents	(1,820,014)	832,764
Cash and cash equivalents, beginning of year	7,602,977	6,770,213
Cash and cash equivalents, end of year	$ 5,782,963	$ 7,602,977

Non-cash investing activities:
The Society disposed of $59,448 of fully depreciated property and equipment during 2019.
The Society disposed of $90,176 of fully depreciated property and equipment during 2018.

See accompanying notes to consolidated financial statements.

(1) Principles of Consolidation and Organization

The accompanying consolidated financial statements include Pennsylvania Medical Society (the Society) and its subsidiary and affiliates: PennMed Member Services Company (PMSCO), The Foundation of the Pennsylvania Medical Society (the Foundation), Pennsylvania Medical Political Action Committee (PAMPAC), Pennsylvania Medical Society Political Action Committee - Federal (PAMSPAC), and Pennsylvania Medical Society Alliance (the Alliance), collectively referred to as the "Organization". Significant intercompany balances and transactions have been eliminated in consolidation.

Pennsylvania Medical Society

The Society, a professional membership organization of medical doctors and doctors of osteopathy, is the largest single medical professional organization in Pennsylvania. The Society is affiliated with county medical societies throughout Pennsylvania. Founded in 1848, the Society's mission is to be the voice of Pennsylvania's physicians, advancing quality patient care, the ethical practice of medicine and advocating for the patients they serve.

Wholly-owned subsidiaries and affiliated entities included in these consolidated financial statements are as follows:

The Foundation of the Pennsylvania Medical Society

The Foundation was created by the Society to improve the well-being of Pennsylvanians and to sustain the future of medicine. Program activities of the Foundation include providing educational loans, scholarships and assistance to the Pennsylvania medical community. The Foundation also provides monitoring services to impaired physicians; training for physicians who have left the practice of medicine for a period of time; and low cost student loans to those attending medical school. The Foundation has a charitable trust that operates under the name the Pennsylvania Medical Society Charitable Trust (the Trust). The Trust is dedicated to advancing the culture of philanthropy and supporting excellence across programs and services provided by the Foundation of the Pennsylvania Medical Society. The Trust holds the Physicians' Health Programs (PHP) Endowment Fund and will house any future such endowed gifts.

The Medical Legacy Fund (the Fund) is controlled by the Trustees of the Foundation who serve as the Directors of the Fund. It is organized for the exclusive benefit of the Foundation for the purpose of implementing a planned giving program to solicit, accept, and administer funds from donors.

The Society's Board of Trustees appoints all members of the Foundation's Board of Trustees.

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(1) Principles of Consolidation and Organization, Continued

PennMed Member Services Company (PMSCO)

PMSCO provides several specialized service lines, each providing resources to physicians, physician networks and other healthcare organizations throughout the healthcare industry. In addition, PMSCO offers insurance products and services to physicians and medical practices.

Effective December 2016, the Society reached an equity contribution agreement with PMSCO, a wholly-owned subsidiary, to fund the initial step of a clinically integrated network (CIN) with a management services organization (MSO) component to enable physicians of all practice types to successfully participate in value-based care. The agreement allows for maximum borrowings of $15 million from the Society Endowment Fund. As of December 31, 2019 and 2018, the Society contributed $3,199,567 and $2,822,131, respectively, to PMSCO of which $3,199,567 and $2,822,131 was borrowed from the Society Endowment Fund in 2019 and 2018, respectively. The contribution has been eliminated in the accompanying consolidated financial statements. Total contributions since the inception of the agreement are $9,541,698 as of December 31, 2019.

During 2018, PMSCO created a wholly-owned subsidiary, PA Collaborative CIN, Inc. The purpose of the entity is to strengthen the independent physician practices in Pennsylvania via the creation of a statewide CIN. This network will enter into value-based contracts with insurers, using a population health data platform which aggregates the data from the practices. These contracts enable the practices to earn additional income as part of this larger physician network.

Pennsylvania Medical Political Action Committee (PAMPAC)

PAMPAC was established to encourage all individuals to take a more active part in political affairs, disseminate unbiased information on political issues and candidates, and make the voice of medicine a more important factor in government. PAMPAC solicits money for the purpose of making contributions on behalf of candidates for nomination or election to public office. At any given time, 40% of PAMPAC's Board of Directors has been appointed by the Society's Board of Trustees.

Pennsylvania Medical Society Political Action Committee - Federal (PAMSPAC)

PAMSPAC was established to encourage all Pennsylvania Medical Society members to take a more active part in political affairs, disseminate unbiased information on political issues and candidates and make the voice of medicine a more important factor in government. PAMSPAC solicits money for the purpose of making contributions to candidates for nomination or election to public office. At any given time, at least 40% of PAMSPAC's Board of Directors has been appointed by the Society's Board of Trustees.

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(1) Principles of Consolidation and Organization, Continued

Pennsylvania Medical Society Alliance (the Alliance)

The Alliance was established to assist the programs of the Society and to improve the health and quality of life for all people. The Society normally provides 65% - 75% of the funding of the Alliance, by providing all staffing requirements and significant other costs. The Executive Committee of the Board of Trustees of the Society serves as the liaison to the Board of Directors of the Alliance.

On March 18, 2019, the Pennsylvania Medical Society Alliance Board of Directors approved the voluntary dissolution of the Alliance due to declining membership. After final expenses were paid, the remaining funds, $78,054, were distributed to the Alliance Scholarship (AMES) Fund that is held by the Foundation in agency funds.

(2) Summary of Significant Accounting Policies

Basis of Accounting

These consolidated financial statements are prepared in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP). The significant accounting and reporting policies used by the Organization are described subsequently to enhance the usefulness and understandability of the consolidated financial statements.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor-imposed stipulations. These assets may be used at the discretion of the Organization's management and the Board of Trustees.

Board designated net assets - Net assets without donor restrictions subject to self - imposed limits by action of the Organization's Board of Trustees. Board designated net assets may be earmarked for future programs, investment, contingencies, purchase or construction of fixed assets, or other uses.

Net assets with donor restrictions - Net assets that are subject to donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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(2) Summary of Significant Accounting Policies, Continued

Net Assets, Continued

Expenses are generally reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or law. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as net assets released from restrictions.

Cash and Cash Equivalents

For the purposes of the consolidated statements of cash flows, the Organization considers all accounts that are not subject to withdrawal restrictions or penalties, and all investments in highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are recorded as services are provided. An allowance for uncollectible accounts receivable is provided based upon management's judgment including such factors as prior collection history and experience. There is no allowance for uncollectible accounts receivable recorded as of December 31, 2019 and 2018.

Investments

The Organization's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Purchases and sales of securities are recorded on a trade-date basis. Interest income and investment fees are recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net realized and unrealized includes gains and losses on investments bought and sold as well as held during the year. Net investment return is reflected in the consolidated statements of activities.

The Organization periodically reviews its investments in equity securities for impairment and adjusts these investments to their fair value when a decline in market value is deemed other than temporary. See Note 4 for further information on investments.

Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated using the straight-line and accelerated methods over the estimated useful lives of the assets. Construction of a new building which has not yet been placed in service is carried at cost, and is not being depreciated.

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(2) Summary of Significant Accounting Policies, Continued

Pension Plan

The Organization accounts for pension costs relating to Pension Plan of the Pennsylvania Medical Society, a defined benefit plan, in accordance with Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 715, *Compensation – Retirement Benefits.*

Postretirement Healthcare Plan

The Society accounts for the costs of its postretirement healthcare plan, other than pensions (health insurance), on the deferred recognition basis in accordance with FASB ASC 715.

Revenue Recognition

The Organization applies the five-step revenue model under FASB ASC 606, *Revenue from Contracts with Customers,* to determine when revenue is earned and recognized. Contract revenue includes all amounts that are billed or are billable under contracts for services performed and are recorded at expected realizable amounts. The Organization recognizes its fee for services and contract revenue over the life of the contract based on either the output method using milestones or the input method using labor hours and costs, depending on the nature of the contract. The Organization considers its membership dues to be an exchange transaction. The membership dues are recognized over the membership period. The Specialty Society Management Services revenue is recognized over the term of the contract which is ratably over the contract year. The revenue is measured as the amount of consideration the Organization expects to be entitled to receive in exchange for those services. The Organization does not have any significant variable consideration associated with its revenue arrangements. Payment terms with customers are generally 30 days. The Organization does not have any significant financing components as payment is received at or shortly after services are billed.

Membership dues for the Society are recorded in the applicable membership period. Membership dues paid in advance are recorded as deferred revenue.

Contributions and Promises to Give

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Continued...

(2) Summary of Significant Accounting Policies, Continued

Contributions and Promises to Give, Continued

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated cash flows and are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Income Taxes

The Society, the Foundation, PAMPAC, PAMSPAC, and the Alliance (collectively, "the Entities") have been recognized by the Internal Revenue Service as tax-exempt organizations as described in Sections 501(c) and 527 of the Internal Revenue Code (IRC) and are exempt from federal income taxes pursuant to Section 501(c)(1) of the IRC. However, at times, the Society is subject to unrelated business income tax based on its activities. No provision for income taxes has been reflected in the accompanying consolidated financial statements.

PMSCO's income taxes in the accompanying consolidated financial statements were computed in accordance with FASB ASC 740, *Income Taxes* (see Note 10). This standard requires an asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the book and tax basis of assets and liabilities, as well as the estimated future tax consequences attributable to net operating loss and tax credit carryforwards. A valuation allowance is established if, based upon all available information, it is deemed more likely than not that a portion or all of a deferred tax asset will not be realized.

For the year ended December 31, 2019, the Entities and PMSCO did not identify any uncertain tax positions taken or expected to be taken, which would require adjustment to or disclosure in the consolidated financial statements. Each of the Entities and PMSCO is potentially subject to federal, state, and local examinations for years subsequent to December 31, 2015.

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(2) Summary of Significant Accounting Policies, Continued

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis on the consolidated statements of functional expenses for the years ended December 31, 2019 and 2018. All direct costs are charged directly to the program for which they are incurred. Direct costs that can be identified to more than one program are prorated individually as direct costs using a base most appropriate to the particular cost being prorated. Certain categories of expenses that are attributed to more than one program or supporting function require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy which is allocated on a square footage basis, as well as salaries, benefits, payroll taxes, professional services, meetings, office expenses, information technology, and general insurance, which are allocated on the basis of estimates of time and effort.

Use of Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and net assets. These estimates and assumptions also include the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses including contributed services and functional allocations during the reporting period. Accordingly, actual results could differ from those estimates.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, accounts receivable, investments, split interest agreements (Note 8) and loans receivable (Note 5). The Organization places its cash and temporary cash investments with financial institutions. At times, such balances may be in excess of the FDIC insurance limits. The Board of Trustees has implemented investment guidelines intended to mitigate the investments' interest rate, market, and credit risks. The Organization maintains a reserve for potential credit losses associated with its accounts receivable and such losses have been within management's expectations.

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(2) Summary of Significant Accounting Policies, Continued

Accounting Pronouncement Adopted

Revenue Recognition

As of January 1, 2019, the Organization adopted FASB Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), which outlines a single comprehensive model for entities to use in accounting for revenue arising from contract with customers and, supersedes or replaces nearly all GAAP revenue recognition guidance. The standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and expands disclosures about revenue. The standard has been applied on the modified-retrospective method using the cumulative effect method on contracts existing on January 1, 2019. As part of the adoption, the Organization elected to follow the practical expedient of applying the standard only to contracts that were not completed as of January 1, 2019. There was no adjustment to opening net assets as of January 1, 2019 as a result of adopting the standard.

On January 1, 2019, the Organization also adopted FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which requires that an entity evaluate whether transactions should be accounted for as contributions or as exchange transactions and determining whether a contribution is conditional. The Organization adopted ASU 2018-08 using the modified perspective application to agreements not completed as of January 1, 2019 and to agreements entered into after January 1, 2019. The implementation of ASU 2018-08 did not have a material effect on the Organization's financial position, results of operations, or cash flows.

Retirement Benefits

As of January 1, 2019, the Organization adopted the requirements of FASB ASU 2017-07, *Compensation - Retirement Benefits*, and applied the amendments retrospectively, as required. The adoption of ASU 2017-07 did not have an impact on the Organization's net assets but was a reclassification from a line on the consolidated statement of activities within a change from operating activities to a line on the statement of activities below change from operating activities. As a result of the adoption of ASU 2017-07, the service cost component of net periodic pension cost is included in cost of operations, and the interest costs and net actuarial loss components are included in other components of net period pension cost in the statement of activities. There was no service cost reflected in the net periodic pension cost for 2019 and 2018, respectively. For the year ended December 31, 2018, $438,996 has been reclassified from cost of operating activities to other components of net periodic pension cost. See Note 11.

Continued...

(2) Summary of Significant Accounting Policies, Continued

Reclassifications

Certain items in the 2018 consolidated financial statements have been reclassified to conform to the current year presentation.

Subsequent Events

The Organization has performed an evaluation of subsequent events through July 23, 2020, which is the date the consolidated financial statements were available to be issued. See also Note 18.

(3) Liquidity and Availability

The following reflects the Organization's financial assets, by entity, as of the consolidated statements of financial position date of December 31, 2019 and 2018, reduced by amounts not available for general use within one year because of donor-imposed restrictions or internal designations. Amounts available include the board appropriation from the Endowment Funds, Special Purpose - KEPRO Fund, and Special Purpose Fund (collectively "the Funds") for the following year as well as donor-restricted amounts that are available for expenditure in the following year. Amounts not available include the amounts from the Funds, student loan receivables and funds restricted by donor for named scholarship funds other than to be released within one year.

	December 31, 2019					
	Pennsylvania Medical Society	Pennsylvania Medical Political Action Committee	Pennsylvania Medical Society Political Action Committee	PennMed Member Services Company	The Foundation of The Pennsylvania Medical Society Combined	Consolidated Totals
Cash and cash equivalents	$ 4,628,417	$ 66,557	$ 3,049	$ 249,065	$ 696,411	$ 5,643,499
Accounts receivable	265,976	-	-	44,227	111,415	421,618
Operating reserve investments	-	-	-	-	1,749,545	1,749,545
Endowment Funds	5,267,100	-	-	-	187,452	5,454,552
Special Purpose - KEPRO Fund	3,960,400	-	-	-	-	3,960,400
Special Purpose Fund	258,800	-	-	-	-	258,800
Distributions from beneficial interests in assets held by others	-	-	-	-	29,000	29,000
	$ 14,380,693	$ 66,557	$ 3,049	$ 293,292	$ 2,773,823	$ 17,517,414

Continued...

(3) Liquidity and Availability, Continued

	December 31, 2018						
	Pennsylvania Medical Society	Pennsylvania Medical Political Action Committee	Pennsylvania Medical Society Political Action Committee	Pennsylvania Medical Society Alliance	PennMed Member Services Company	The Foundation of The Pennsylvania Medical Society Combined	Consolidated Totals
Cash and cash equivalents	$ 5,987,135	$ 91,073	$ 1,806	$ 81,344	$329,289	$ 909,460	$ 7,400,107
Accounts receivable	224,684	-	-	-	5,013	165,166	394,863
Operating reserve investments	-	-	-	-	-	1,190,989	1,190,989
Endowment Funds	5,112,100	-	-	-	-	186,422	5,298,522
Special Purpose - KEPRO Fund	4,080,000	-	-	-	-	-	4,080,000
Special Purpose Fund	195,000	-	-	-	-	-	195,000
Distributions from beneficial interests in assets held by others	-	-	-	-	-	28,269	28,269
	$15,598,919	$ 91,073	$ 1,806	$ 81,344	$334,302	$ 2,480,306	$18,587,750

The Funds are subject to an annual spending rule. While management does not intend to spend from the board designated portion of the funds other than to support the annual spending rate and to support the specific approved projects, these amounts can be made available if necessary.

(4) Investments

Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Organization performed a detailed analysis of the assets and liabilities that are subject to FASB ASC 820. All assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as level 3.

Continued...

(4) Investments, Continued

Fair Value Measurements, Continued

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

The fair value of the charitable remainder trust assets and liabilities is the aggregation of all future cash flows discounted to present value at prevailing market returns. The fair value of the beneficial interest in perpetual trust is based on the fair value of the assets held by the trust.

Commodities are valued based on similar assets which are traded in active markets.

	December 31, 2019			
Description	Total	Level 1	Level 2	Level 3
Investments:				
Cash equivalents	$ 12,293,417	$ 12,293,417	$ -	$ -
U.S. equity mutual funds	47,482,917	47,482,917	-	-
Fixed income mutual funds	24,065,339	24,065,339	-	-
International equity mutual funds	28,401,826	28,401,826	-	-
Emerging markets mutual funds	9,548,554	9,548,554	-	-
Real estate/Infrastructure fund	3,039,393	3,039,393	-	-
Alternative funds	181,096	181,096	-	-
Total investments in fair value hierarchy	125,012,542	125,012,542	-	-
Investments measured at NAV (a)	51,049,910	-	-	-
Total investments at fair value	176,062,452	125,012,542	-	-
Beneficial interest in perpetual trusts	780,390	-	-	780,390
Charitable remainder trust assets	241,371	-	241,371	-
Total assets at fair value	$ 177,084,213	$ 125,012,542	$ 241,371	$ 780,390
Liabilities:				
Charitable gift annuities liability	$ 95,544	$ -	$ 95,544	$ -
Charitable remainder trust liability	38,274	-	38,274	-
Planned gift liability	39,618	-	39,618	-
Total liabilities at fair value	$ 173,436	$ -	$ 173,436	$ -

Continued...

(4) Investments, Continued

Fair Value Measurements, Continued

Description	December 31, 2018 Total	Level 1	Level 2	Level 3
Investments:				
Cash equivalents	$ 4,634,343	$ 4,634,343	$ -	$ -
U.S. equity mutual funds	43,563,608	43,563,608	-	-
Fixed income mutual funds	25,185,218	25,185,218	-	-
International equity mutual funds	34,465,618	34,465,618	-	-
Emerging markets mutual funds	6,712,877	6,712,877	-	-
Real estate/Infrastructure fund	2,906,351	2,906,351	-	-
Total investments in fair value hierarchy	117,468,015	117,468,015	-	-
Investments measured at NAV (a)	44,343,619	-	-	-
Total investments at fair value	161,811,634	117,468,015	-	-
Beneficial interest in perpetual trusts	675,548	-	-	675,548
Charitable remainder trust assets	221,717	-	221,717	-
Total assets at fair value	$162,708,899	$117,468,015	$221,717	$675,548
Liabilities:				
Charitable gift annuities liability	$ 97,747	$ -	$ 97,747	$ -
Charitable remainder trust liability	45,470	-	45,470	-
Planned gift liability	37,203	-	37,203	-
Total liabilities at fair value	$ 180,420	$ -	$180,420	$ -

(a) The Organization invests in private equity investments and hedge funds which trade at the net asset value (NAV) per share practical expedient of the fund. These funds are not categorized within the fair value hierarchy.

The following table sets forth a summary of changes in the fair value of the Organization's level 3 assets and liabilities for the years ended December 31, 2019 and 2018:

	Beneficial Interest in Perpetual Trust
Balance as of December 31, 2017	$763,992
Total unrealized losses for assets held at year end included in changes in net assets	(88,444)
Balance as of December 31, 2018	675,548
Total unrealized gains for assets held at year end included in changes in net assets	104,842
Balance as of December 31, 2019	$780,390

Continued...

(4) Investments, Continued

Fair Value Measurements, Continued

Hedge funds and private equity funds are valued at NAV of units held. The NAV is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. The practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.

Investments valued at NAV per share (or its equivalent) as of December 31, 2019 and 2018 consist of the following:

	Fair Value at December 31, 2019	Fair Value at December 31, 2018	Redemption Frequency	Redemption Notice Period	Unfunded Commitment
Hedge funds:					
Balyasny Atlas Global	$ 1,076,886	$ 4,007,236	Quarterly	65 days	N/A
Axonic Credit Opportunities	4,910,274	4,797,315	Quarterly	60 - 90 days	N/A
Pointer Offshore	4,773,258	4,026,524	Semi-Annual	65 days, subject to 2 year lock-up provision	N/A
Goldentree Select Offshore Fund	6,747,923	6,153,656	Quarterly	90 days, subject to 1 year lock-up provision	N/A
Canyon Value Realization Fund	6,471,703	5,899,218	Quarterly	90 days, subject to 1 year lock-up provision	N/A
HP WorldQuant Millenium	5,198,054	4,503,644	Monthly	30 days	N/A
Millennium International	6,283,521	5,750,000	Monthly	30 days	N/A
Silver Point Capital Offshore Fund	1,455,390	1,404,070	Annual	90 days	N/A
SkyBridge	4,989,948	-	Quarterly	65 days	N/A
Ironwood	155,676	-	Semi-Annual	120 days	N/A

Continued...

(4) Investments, Continued

Fair Value Measurements, Continued

	Fair Value at December 31, 2019	Fair Value at December 31, 2018	Redemption Frequency	Redemption Notice Period	Unfunded Commitment
Private Equity funds:					
Hamilton Lane Private Markets Opportunity Feeder Fund LP	2,962,747	1,936,972	N/A	N/A	$ 2,374,981
Portfolio Advisors Private Equity Fund III, LP	1,025,994	1,310,897	N/A	N/A	$ 572,500
Metropolitan Real Estate Partners Global	1,179,390	1,380,017	N/A	N/A	$ 1,007,032
Siguler Guff BRIC Opportunities Fund II, LP	1,962,512	2,374,703	N/A	N/A	$ 90,000
Siguler Guff Distressed Opportunities Fund III, LP	758,458	799,367	N/A	N/A	$ 135,000
Cowen Healthcare Investments III LP	192,085	-	N/A	N/A	$ 1,177,233
EW Healthcare Partners Fund 2-A, LP	906,091	-	N/A	N/A	$ 3,458,052
	$ 51,049,910	$ 44,343,619			

Balyasny Atlas Global Investments, Ltd invests in investment vehicles and directly in securities. The fund's investments objective is to achieve capital appreciation by utilizing a variety of investment strategies including, but not limited to, sector-based fundamental long/short equity (including, but not limited to, investments in healthcare, financial, consumer/retail, technology, energy, cyclical, and media sectors), short and medium-term trading portfolios, global macro trading, special situations, distressed companies, and arbitrage opportunities, both within and outside U.S. markets.

Axonic Credit Opportunities Fund, LP invests primarily in agency and non-agency mortgage-backed securities, commercial real estate securities and loans, and other asset-backed securities. The funds seek to generate superior risk-adjusted returns by selectively sourcing assets that have risk-mitigation qualities to many underlying mortgage, macro-economic and real estate factors. The funds make use of proprietary credit and mortgage technology which allows for the examination of extensive collateral detail and to contemplate multiple home price paths across varying scenarios.

Pointer Offshore, Ltd is an investment company incorporated under the laws of the Cayman Islands. The fund was organized for the purpose of trading and investing in securities, private investment companies and other investments.

Continued...

(4) Investments, Continued

Fair Value Measurements, Continued

GoldenTree Select Offshore Fund, Ltd. is an exempted limited company incorporated in the Cayman Islands. The principal investment objective of the fund is to achieve superior risk-adjusted total returns by investing, directly or indirectly through its investment in the Master Fund, primarily in public and private non-investment grade and non-rated debt securities.

The Canyon Value Realization Fund (Cayman), LTD, is an open-end investment company and may issue and redeem its participating share at a price-based on their underlying NAV. The invested funds seek capital appreciation and current income by investing in financial instruments that are perceived to be inefficiently priced as a result of business, financial or legal uncertainties.

HP WorldQuant Millennium, is a joint venture between Millennium Management and WorldQuant LLC. WorldQuant Millennium Quantitative Strategies utilizes systematic, model-based strategies and employs a proprietary investment process to develop and deploy systematic, model-based investment strategies, which is comprised of four primary components performed by distinct teams within WorldQuant on an ongoing basis: (i) data sourcing and processing; (ii) alpha research; (iii) strategy development; and (iv) portfolio management. Millennium will provide overall infrastructure support to the fund, including risk, compliance, legal, operations and treasury services, among others.

Millennium International and HP Millennium are core multi-strategy offerings of Millennium Management LLC, an investment management firm founded in 1989. The Underlying Funds invests substantially all of its assets in Millennium Partners L.P. (the "Underlying Master Fund" or "MLP"). Millennium's strategy is global and highly diversified, with a focus on investment strategies that exploit market inefficiencies to produce absolute return with low correlation to global capital markets. The Underlying Manager seeks to deliver absolute returns with relatively low volatility by focusing on a high level of diversification, tight control of directional market exposures, and a risk management framework that can result in a high level of liquidity and systematic movement of capital based on real-time trading profit and losses.

Silver Point Capital Offshore Fund, Ltd is a Cayman Islands exempted company. The investment objective of the Company is to achieve superior risk-adjusted returns by investing in debt, equity or other securities or obligations of misvalued, leveraged or financially distressed companies and in event-oriented and other special situations. The investment strategies employed by the Company may include (without limitation) the following: credit-oriented investments; event-oriented investments; asset-oriented investments; and investments in misvalued securities, obligations or instruments.

Continued...

(4) Investments, Continued

Fair Value Measurements, Continued

SkyBridge Series G is a registered fund of hedge funds that seeks capital appreciation by investing in 30-35 hedge funds managed by third-party investment managers who employ a variety of strategies in pursuit of attractive risk-adjusted returns and capital preservation. Series G combines a top-down strategy allocation methodology with bottom-up manager evaluations in an attempt to identify those strategies that the Adviser believes provide opportunities to achieve SkyBridge's investment objectives during a three to five year investment horizon.

Ironwood is a San Francisco based fund of hedge fund managers. The fund is exclusively focused on building and managing a low volatility, multi-manager product offering to seek to have little to no correlation to broader debt and equity markets. The fund's investment objective is capital appreciation with limited variability of returns.

Hamilton Lane Private Markets Opportunity Feeder Fund (Fund of Fund Series) LP is a Cayman Islands limited partnership. This fund is a fund of funds formed to assemble a diversified portfolio of investment funds investing in; Primaries- commitments made to private equity funds managed by other general partners, Secondaries- purchases of mature positions in existing funds and Co-Investments- purchasing companies directly alongside a sponsor general partner.

In August 2005, the Society began investing in Portfolio Advisors (Offshore) Private Equity Fund III, L.P., a Cayman Islands exempted limited partnership. This fund is a "menu-driven" fund of funds that was formed to provide institutional investors the opportunity to participate in high quality managed fund investments in the private equity asset class. Portfolio Advisors, LLC, the Investment Manager, seeks to develop a diversified portfolio of primary fund investments in each Sector.

In October 2007, the Society began investing in Metropolitan Real Estate Partners Global, LLC, a Delaware limited liability company. This company is a real estate fund of funds investing approximately sixty percent (60%) of all capital commitments in Metropolitan Real Estate Partners Fund V, L.P. (Fund V) and approximately forty percent (40%) of all capital commitments in Metropolitan Real Estate Partners International II, L.P. (International II). Both funds are Delaware limited partnerships which invest in certain real estate funds, selected by the Manager, that were formed generally for the purpose of investing in office, retail, apartment, industrial or other commercial real estate, or in real estate-related securities. Fund V invests primarily within the United States whereas International II invests primarily within Europe, with a secondary focus on properties located within certain Asian markets.

Continued...

(4) Investments, Continued

Fair Value Measurements, Continued

In March 2008, the Society began investing in Siguler Guff Distressed Opportunities Fund III, LP, a Delaware limited partnership. This fund is a fund of funds formed to assemble a diversified portfolio of investment funds investing in securities of companies undergoing financial distress, operating difficulties or restructuring, as well as allocate capital to direct investment opportunities in similar situations.

In March 2008, the Society began investing in Siguler Guff BRIC Opportunities Fund II, LP, a Delaware limited partnership. The BRIC Opportunities Fund is a fund of funds formed to assemble a diversified portfolio of investment funds in the large and dynamic emerging economies of Brazil, Russia, India and China, with a primary emphasis on India and China. The fund expects to take advantage of the many opportunities in industries that result from the expanding middle class and growth in per capita gross domestic product (GDP) of these emerging economies.

Cowen Healthcare Investments III LP primarily invests in mid- to late-stage ventures in the healthcare sector, with a primary focus on biotherapeutics and a secondary focus on digital health technologies, diagnostics, mobile health and health care information technology. The Fund aims to make investments in approximately 20-25 companies. With the Fund's focus on mid- to late-stage venture investing into disruptive healthcare companies and given the high cost of drug development, the capital needs of the Fund's typical target company is high providing the Fund multiple opportunities to invest into target companies.

EW HealthCare Partners 2 seeks to make growth equity investments in the healthcare industry. The Fund will seek to invest across the following sub-sectors of healthcare: pharmaceuticals, medical devices, technology-enabled healthcare services, and healthcare technology services with a target allocation of 80% in pharmaceutical and medical device companies with patent-protected proprietary products. In addition, no more than 35% of the Fund's committed capital is expected to be invested in non-U.S. companies, primarily in Europe.

The Society's investments in private investment companies are subject to the terms of their private placement memoranda and other governing agreements. The investments in such private investment companies are also subject to management and performance fees as specified in their agreements.

The Organization invests in various investment securities that are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect account balances and the amounts reported in the statements of financial position.

(5) Loans Receivable

Loans are issued and maintained by the Foundation. Individuals who are United States citizens and Pennsylvania residents for at least twelve months prior to registering as a medical student in an accredited United States medical school are eligible to receive student loans for a maximum of $10,000 per year with an aggregate of $30,000 per student. The student loans are uncollateralized. Loans bear interest at the 91-day Treasury Bill rate at June 1 plus 3.5% (not to exceed 6%) until the student graduates. Upon graduation, loans may be deferred from repayment for up to five years, during completion of internship, residency and fellowship training. Deferment interest is annually adjusted using the 91-day Treasury Bill rate at June 1 plus 3.5% (not to exceed 6%). Repayment terms begin on July 1, after the completion of training, and loans are generally repaid over a ten-year period. Repayment interest is calculated on the 91-day Treasury Bill rate plus 4.5% (not to exceed 8%) as of the preceding June 1, and remains fixed throughout the repayment period. Interest earned on loans is recognized in the consolidated statements of activities.

(6) Property and Equipment

Property and equipment consist of the following at December 31:

	2019	2018	Depreciable Lives
Land	$1,000,000	$1,000,000	N/A
Furniture and equipment	4,659,617	3,833,644	5-10 years
Leasehold improvements	176,057	176,057	5-7 years
Work-in-progress	-	291,827	various
Construction-in-progress	1,334,150	177,299	various
	7,169,824	5,478,827	
Accumulated depreciation	(3,493,088)	(3,254,553)	
Net book value	$3,676,736	$2,224,274	

Depreciation expense for 2019 and 2018 amounted to $323,302 and $223,742, respectively.

On January 29, 2015, the Society entered into a sale-leaseback agreement with a third party to sell its office building. Gain on the sale, of approximately $470,000, is deferred and will be amortized over the term of the lease (see Note 17).

As of December 31, 2018, a land purchase was finalized in the amount of $1,000,000 in Silver Spring Township, Cumberland County. In 2019, the Society started construction of a 27,000 square foot office building to accommodate the Society and the Foundation. Anticipated completion is fall 2020. The new construction is being funded by existing investments from within the Society.

(7) Beneficial Interest in Perpetual Trust

The Foundation has a one-fourth beneficial interest in a split interest perpetual trust. The split interest perpetual trust is recorded on the consolidated statements of financial position as a net asset with donor restrictions with a fair value at December 31, 2019 and 2018 of $780,390 and $675,548, respectively. The income distribution from the split interest perpetual trust has no donor-imposed restrictions and is included in investment income without donor restrictions.

(8) Split-Interest Agreements

A donor established a charitable remainder trust with a bank naming the Foundation as a partial beneficiary. The trustee shall pay the donor and his wife during their lifetimes an amount equal to 5% of the net fair value of the trust assets determined as of the first business day of each taxable year. At the time of the donors' deaths, the trust is to terminate, and the remaining trust assets are to be distributed. The Foundation has recorded a contribution receivable from the remainder trust based on the present value of future benefits expected to be received. Changes in the fair value of the Foundation's beneficial interest, using a discount rate of 7%, are recognized as change in value of split-interest agreements in the accompanying consolidated statements of activities.

A donor established a charitable remainder trust with the Fund naming the Foundation as a beneficiary. The Fund shall pay to the donor and his wife during their lifetimes an amount equal to 7% of the net fair value of the trust assets determined as of the first business day of each taxable year. At the time of the donors' deaths, the trust is to terminate, and the remaining trust assets are to be distributed. The Fund has recorded an asset in the amount of the fair value of the gift and a liability at the present value of the estimated future payments discounted at 7%, to be distributed over the donors' expected lives.

An entity controlled by the Foundation received title to a plot of land located near Harrisburg, Pennsylvania. In return, the entity shall pay an amount equal to 7.5% of the appraised value of the land at December 9, 2002, to the donor and his spouse each year during their lifetimes. During 2003, the land was sold, and the cash received was recognized as net assets with donor restrictions. A related annuity liability is recorded at the present value of the estimated future payments, discounted at 7%, to be distributed over the donors' expected lives.

(9) Other Receivables

Other receivables included an investment redemption receivable in the amount of $719,957 at December 31, 2018, which was received on June 19, 2019. On June 30, 2018, all the shares of the Q-Blk Strategic Partners II, Ltd. US Class - Standard Unrestricted Shares 2018 Series 1 investment were to be redeemed. Due to excess liquidity, 44% of the market value was redeemed on March 31, 2018 with an additional redemption payment of 51% on June 30, 2018 to total 95% of the market value, as per the subscription contract guidelines, received by the Society by June 30, 2018. The remaining 5% of the total proceeds were received by the Society after the December 31, 2018 audit for Q-Blk Strategic Partners II Ltd. Fund was completed.

(10) Income Taxes

PMSCO files Form 1120, *U.S. Corporation Income Tax Return*, on an annual basis.

Income tax expense is reported on the consolidated statements of activities within the program which generated the taxable income. Income taxes include income taxes deferred because of temporary differences between the financial statement and tax bases of assets and liabilities.

The tax effects of temporary differences at December 31 are presented below:

	2019	2018
Deferred tax assets:		
State net operating loss carryforwards	$1,649,955	$1,418,282
Federal net operating loss carryforwards	2,127,410	1,635,983
Prepaid insurance	(1,414)	(3,126)
Pension liability	332,090	290,759
Other	14,884	14,445
	4,122,925	3,356,343
Valuation allowance	(4,122,925)	(3,356,343)
Deferred tax assets	$ -	$ -

The Tax Cuts and Job Act of 2017 was signed into law on December 22, 2017. As a result, a tax benefit of $818,775, primarily due to a remeasurement of deferred tax assets and liabilities, was recorded and was offset by a corresponding change in the valuation allowance.

The net change in the valuation allowance for the years ended December 31, 2019 and 2018 was an increase of $766,582 and $773,367, respectively.

The estimated state net operating loss carryforwards expire from 2020 through 2039. The estimated federal net operating loss carryforwards expire from 2034 through 2039.

(11) Retirement Plans

Pension Plan

The Society has a noncontributory defined benefit pension plan that previously covered all eligible employees meeting service and age requirements. Effective January 1, 2007, the Society amended its defined benefit plan to freeze participation in the plan. Any employee hired after December 31, 2006, was no longer eligible to participate in the plan. Effective January 1, 2015, the Society amended its defined benefit plan such that no additional benefits will accrue for employees under the plan. Annual contributions are made to the plan equal to amounts allowable under the Employee Retirement Income Security Act (ERISA) of 1974, as amended. Effective December 31, 2006, PMSCO froze participation and accruals for its employees. No new PMSCO participant entered the plan after December 31, 2006 and no PMSCO participant earned benefits for service after December 31, 2006.

The following table sets forth the plan's funded status and amounts recognized in the accompanying consolidated statements of financial position as of December 31:

	2019	2018
Benefit obligation	$ (40,489,381)	$ (36,619,187)
Plan assets at fair value	26,887,029	21,352,229
Funded status	$ (13,602,352)	$ (15,266,958)
Liability included on consolidated statements of financial position	$ (13,602,352)	$ (15,266,958)

The measurement date of the pension obligation is December 31, 2019. As of December 31, 2019 and 2018, the accumulated benefit obligation is $40,489,381 and $36,619,187, respectively.

Net periodic benefit costs recognized in the consolidated statements of activities for the years ended December 31, were as follows:

	2019	2018
Interest cost	$1,458,031	$1,361,170
Expected return on plan assets	(1,851,843)	(1,918,473)
Amortization of net loss	1,091,729	996,299
	$ 697,917	$ 438,996

Continued...

(11) Retirement Plans, Continued

Pension Plan, Continued

Other changes in plan assets and benefit obligations not yet recognized as a component of net periodic pension cost previously in changes in net assets without donor restrictions:

	2019	2018
Net (gain) loss for the period	$ (2,573,841)	$ 4,245,211
Change due to change in assumptions	4,303,047	(3,158,859)
Amortization of net loss	(1,091,729)	(996,299)
	$ 637,477	$ 90,053

Amounts recognized as changes in net assets without donor restrictions but not yet recognized as a component of net periodic benefit costs related to net loss are $13,946,153 and $13,308,676, as of December 31, 2019 and 2018, respectively.

The estimated net loss that is expected to be amortized from net assets into net periodic benefit cost in the next fiscal year is $1,420,416.

Weighted average assumptions used by the Society in the determination of pension plan information consist of the following as of December 31:

	2019	2018
Discount rate	3.04 %	4.09 %
Rate of increase in compensation levels	N/A	N/A
Expected long-term rate of return on assets	8.00 %	8.00 %

The Society's Finance Committee (the Committee) is responsible for developing and overseeing the investments of the plan. Investment recommendations of the plan's consultant must be approved by the Committee before transactions are made. It is the Committee's expectation that equity securities will outperform debt securities over the long-term. Accordingly, for 2019 and 2018, the Committee has set allocation ranges for each investment type.

Continued...

(11) Retirement Plans, Continued

Pension Plan, Continued

Pension plan assets, allocated based on relative fair values, consist of the following at December 31:

	Percentage of Plan Assets		
	2019	2018	2019 Range
Equity securities	61 %	66 %	30-70%
Debt securities	25	28	5-40%
Alternative	12	2	0-40%
Other	2	4	0-10%
Total	100 %	100 %	

The fair value of the Organization's pension plan assets are as follows:

	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Cash equivalents	$ 573,148	$ 573,148	$ -	$ -
Registered investment companies:				
U.S. equity mutual funds	8,388,506	8,388,506	-	-
Fixed income mutual funds	6,653,701	6,653,701	-	-
Emerging markets mutual funds	1,584,263	1,584,263	-	-
Real estate/Infrastructure funds	436,586	436,586	-	-
International equity mutual funds	5,963,140	5,963,140	-	-
Total registered investment companies	23,026,196	23,026,196	-	-
Total assets in fair value hierarchy	23,599,344	23,599,344	-	-
Investments measured at NAV (a)	3,287,685	-	-	-
Total assets at fair value	$ 26,887,029	$ 23,599,344	$ -	$ -

	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Cash equivalents	$ 921,430	$ 921,430	$ -	$ -
Registered investment companies:				
U.S. equity mutual funds	6,536,533	6,536,533	-	-
Fixed income mutual funds	5,946,817	5,946,817	-	-
Emerging markets mutual funds	1,071,600	1,071,600	-	-
Real estate/Infrastructure funds	406,753	406,753	-	-
International equity mutual funds	5,181,085	5,181,085	-	-
Total registered investment companies	19,142,788	19,142,788	-	-
Total assets in fair value hierarchy	20,064,218	20,064,218	-	-
Investments measured at NAV (a)	1,288,011	-	-	-
Total assets at fair value	$ 21,352,229	$ 20,064,218	$ -	$ -

(a) The Plan invests in private equity investments and hedge funds which trade at the NAV per share practical expedite of the fund. These funds are not categorized within the fair value hierarchy.

Continued...

(11) Retirement Plans, Continued

Pension Plan, Continued

Investments valued at net asset value per share (or its equivalent) as of December 31, 2019 and 2018, consist of the following:

	Fair Value at December 31, 2019	Fair Value at December 31, 2018	Redemption Frequency	Redemption Notice Period	Unfunded Commitment
Hedge funds:					
Goldentree Select Offshore Fund	$ 810,963	$ -	Quarterly	90 days	N/A
Ironwood Institutional Multi-Strategy Fund LLC	1,253,101	-	Semi-annual	120 days	N/A
Fintan Investments, Ltd. Class A IS 046	264,654	356,343	Suspended	100 days, subject to 1 year lock provision	N/A
SkyBridge Capital LLC Multi-Adv Series G	958,967	931,668	Quarterly	95 days	N/A
	$ 3,287,685	$ 1,288,011			

Registered investment companies are valued at the closing price reported on the active market on which the individual securities are traded.

In August 2016, the plan requested a full redemption of the Fintan investments to be received on December 31, 2016 in accordance with the Fintan redemption policy. Fintan suspended redemptions for 2016 due to market conditions and the liquidity of their portfolio. Fintan has periodically been redeeming the plan's investment with the most recent redemption occurring in November 2019 for approximately $64,000. The plan expects to redeem its remaining interest through 2021. Management has reviewed the investment for impairment and has concluded no adjustment is necessary at December 31, 2019 and 2018.

The plan made benefit payments of $2,004,578 and $1,996,318 for the years ended December 31, 2019 and 2018, respectively. The estimated future benefit payments reflecting expected future service are as follows:

Year Ending December 31,	Amount
2020	$ 1,981,317
2021	$ 1,955,819
2022	$ 2,011,601
2023	$ 1,994,591
2024	$ 2,011,587
2025-2029	$ 10,542,931

Continued...

(11) Retirement Plans, Continued

Pension Plan, Continued

The Organization contributed $3,000,000 to the plan for each of the years ended December 31, 2019 and 2018, respectively, and expects to contribute $3,000,000 to the pension plan for the year ending December 31, 2020.

Deferred Salary Plans

The Society sponsors a defined contribution plan for all employees meeting certain eligibility requirements. The Foundation participates in the Society's defined contribution plan. Effective January 1, 2016, eligible participants may defer 1% to 85% of annual compensation. The employer matching percentage is determined each year by the employer at its own discretion. Effective January 1, 2016 employees will receive an employer contribution of 5% of annual compensation. The Society's and Foundation's contributions to the plan aggregated $577,627 and $526,419 for the years ended December 31, 2019 and 2018, respectively.

PMSCO participates in the Society's 401(k) Retirement Savings Plan. The plan covers all employees who work at least 1,000 hours or more annually. Eligible participants may defer 1% to 85% of annual compensation. PMSCO makes a matching contribution to the plan on behalf of each participant equal to 100% of eligible employee contributions up to a maximum of 5% of annual compensation. Employer contributions were $70,300 and $55,483 for the years ended December 31, 2019 and 2018, respectively.

As a result of freezing the noncontributory pension plan as noted above, effective January 1, 2007, all PMSCO's participants receive a profit sharing contribution. Effective January 1, 2016 the contribution is 5% of annual compensation for eligible employees. Employer contributions were $66,106 and $59,194 for the years ended December 31, 2019 and 2018, respectively.

(12) Postretirement Healthcare Plan

The Society sponsors a postretirement healthcare plan that covers premiums for health and basic dental insurance for eligible retirees and their spouses. Plan participation has been frozen as of January 1, 1995. The postretirement healthcare plan is not funded. At December 31, 2019 and 2018, a liability for contingent benefits in the amount of $171,243 and $223,514, respectively, has been recorded.

(13) Royalty and Endorsement Agreements

The Society agreed to endorse PMSLIC as a carrier of choice for medical professional liability insurance in Pennsylvania. PMSLIC was permitted to use the Society's endorsement to market medical professional liability insurance in Pennsylvania. The Society signed a nonexclusive endorsement agreement with PMSLIC on an annual basis. For each of the years ended December 31, 2019 and 2018, the Society received $200,000 per the terms of the agreement.

(14) Board Designated Net Assets

The Society follows FASB Staff Position 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and Enhanced Disclosures for All Endowment Funds* now incorporated in FASB ASC 958. The Commonwealth of Pennsylvania has not yet adopted the provisions of the UPMIFA, but the Society is required by FASB ASC 958 to disclose certain matters associated with its funds designated by the Board of Trustees to function as endowments. Endowment funds subject to FASB ASC 958 include board designated net assets.

The Society's Board designated net assets consist of three funds: the Endowment Fund, the Special Purpose - KEPRO Fund, and the Special Purpose Fund (collectively, "the Board Designated Funds").

The following is the activity associated with the Board Designated Funds for the years ended December 31:

	2019	2018
Beginning of year	$ 154,473,392	$ 177,785,009
Dividends and interest	2,313,719	4,020,352
Realized and unrealized gains (losses), net	22,609,986	(14,601,076)
Appropriations for expenditure	(13,119,156)	(12,730,893)
End of year	$ 166,277,941	$ 154,473,392

Continued...

(14) Board Designated Net Assets, Continued

Risk Tolerance

The Society recognizes that the primary fiduciary obligation regarding the Board Designated Funds is to maximize the inflation-adjusted principal value of the assets to meet current and future needs and obligations of the Society. Assets of the Board Designated Funds are to be diversified to protect against large investment losses and to reduce the probability of excessive performance volatility. The Society recognizes the likelihood of periodic market declines and is willing to accept the possibility of some short-term declines in market value in order to achieve potentially higher long-term investment returns. Asset allocation will be structured to minimize downside volatility while maximizing return at an acceptable risk level.

Investment Strategy

The Board Designated Funds utilize specialist managers (i.e., who manage portfolios oriented to one asset class, such as equities) within each asset class and investment style. Investment managers selected will have demonstrated strong performance within their investment style as well as organizational stability and consistent investment philosophy and process. The Society's asset allocation for the Endowment Fund and the Special Purpose - KEPRO Fund targets a composition of equity investments of 30% to 70%, fixed income of 5% to 40%, and alternative investments of 0% to 40%. The Society's asset allocation for the Special Purpose Fund targets a composition of equity investments of 40% to 80%, fixed income of 20% to 60%, and alternative investments of 0% to 20%.

Spending Policy - Endowment Fund

The Society uses a spending rule to determine the amount of the Endowment Fund to be allocated to operations. The spending rule, which is subject to review and approval by both the Society's Finance and Executive Committees, was revised in 2011. A hybrid method, two part calculation, is now used. Part one, Banded Inflation, takes the prior year's spending value, inflates it by the Consumer Price Index (CPI), but with a minimum of three percent and a maximum of six percent. Part two, Moving Average Asset, calculates four percent of the average Endowment Fund values of the preceding twenty calendar quarters ending June 30 of the year prior to the year of distribution. The results of the two calculations are weighted, 80% for part one and 20% for part two, and added together to determine the total amount to be distributed. The amount distributed shall pay all Endowment Fund administrative expenses first, before being used to pay other Society expenses.

For the years ended December 31, 2019 and 2018, $5,112,100 and $4,874,700, respectively, of the funds were withdrawn and used by the Society for operations.

Continued...

(14) Board Designated Net Assets, Continued

Spending Policy - Special Purpose - KEPRO Fund

The Society uses a spending rule to determine the amount of the Special Purpose - KEPRO Fund. The spending rule is based on four percent of the 20 quarter moving asset average. The annual spending rule amount is divided equally into three pools of monies and is available to fund advocacy, the Foundation, and innovation activities.

For the years ended, December 31, 2019 and 2018, $380,000 and $378,500, respectively, of the funds were withdrawn to fund Foundation activities. For the years ended, December 31, 2019 and 2018, $600,300 and $492,700, respectively, of the funds were withdrawn to fund advocacy activities.

Spending Directive - Special Purpose Fund

Upon the sale of the property at 777 East Park Drive in 2015, the proceeds were placed in the Special Purpose Fund and were board designated for two purposes. Annually, the Society may draw up to 50% of the leasing costs to fund operations. The remaining funds are available to build at a new location or to continue to lease rental space. The total proceeds, net of sales expenses, were $6,674,883 in 2015. The balance of these funds at December 31, 2019 and 2018 was $5,774,165 and $5,905,378, respectively. Total funds drawn in 2019 and 2018 to pay for the land and construction of the new building amounted to $763,700 and $921,437, respectively.

(15) The Foundation's Endowment Funds

The Foundation follows FASB Staff Position 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and Enhanced Disclosures for All Endowment Funds* now incorporated in FASB ASC 958-205. The Commonwealth of Pennsylvania has not yet adopted the provisions of the UPMIFA, but the Foundation is required by FASB ASC 958-205 to disclose certain matters associated with its endowment funds. The Foundation's endowment funds subject to FASB ASC 958-205 include board designated net assets, all net assets with donor restrictions held in perpetuity, and the income generated by those endowment funds held in perpetuity, subject to donor restrictions.

Net assets with donor restrictions held in perpetuity and board designated net assets are included in the accompanying consolidated statements of financial position at the fair value of the underlying investments.

Dividend and interest on endowment funds with donor restrictions held in perpetuity are recorded as increases or decreases in net assets with donor restrictions.

Continued...

(15) The Foundation's Endowment Funds, Continued

The Foundation's endowment funds are subject to a 3% spending rate, which is subject to review by the Trust and the Foundation's Board of Trustees. The spending rate is applied to a moving average of quarterly endowment levels over the previous 20 quarters. Spending rate earnings are allocated to cover Physicians' Health Program operations.

For the years ended December 31, 2019 and 2018, $145,633 and $140,156, respectively, of the funds were withdrawn and used by the Foundation for their intended purposes.

Changes in the endowment fund net assets for the years ended December 31, 2019 and 2018, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment fund net assets, December 31, 2017	$3,543,096	$1,763,895	$5,306,991
Spending rule transfer	(94,665)	(45,491)	(140,156)
Net contributions	-	1,291	1,291
Net realized/unrealized loss	(346,707)	(172,605)	(519,312)
Income on investments	109,170	54,349	163,519
Management fees	(8,126)	(4,046)	(12,172)
Endowment fund net assets, December 31, 2018	3,202,768	1,597,393	4,800,161
Spending rule transfer	-	(145,633)	(145,633)
Net contributions	-	5	5
Net realized/unrealized gain	463,792	231,318	695,110
Income on investments	103,695	51,718	155,413
Management fees	(9,490)	(4,734)	(14,224)
Endowment fund net assets, December 31, 2019	$3,760,765	$1,730,067	$5,490,832

(16) Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of December 31:

	2019	2018
Subject to expenditure for specific purpose:		
Medical Education	$ 1,801,001	$ 1,421,179
Split Interest Agreements	47,058	65,899
Other	-	14,400
Total purpose restrictions	1,848,059	1,501,478
Beneficial Interest in Perpetual Trust	780,390	675,548
Endowment Funds:		
Physicians' Health Program	1,730,067	1,597,393
Total net assets with donor restrictions	$ 4,358,516	$ 3,774,419

(17) Commitments

During 2015, the Society sold the building housing its corporate headquarters and operations. As a part of the sale terms, the Society is leasing a portion of the building for a period of seven years with an option to renew, at the Society's choice, for one additional two year period. The agreement also includes leasing terms for a second portion of the building for a term of five years with an option to renew, at the Society's choice, for an additional two periods of two years each. Lease terms commenced in June of 2015. As of December 31, 2019, monthly rentals are $63,404 and escalate by 3% on an annual basis. The Society is also responsible for maintaining certain levels of commercial general liability insurance. Future minimum lease payments are as follows:

Year Ending December 31,	Amount
2020	$ 515,813
2021	$ 250,325
2022	$ 127,126

(18) Subsequent Events

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The extent of COVID-19's effect on the Organization's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult considering the rapidly evolving landscape. As the pandemic continues to evolve into a worldwide health crisis, the disease could have a material adverse effect on the Organization's activities, results of operations, financial condition, and cash flow.

In April 2020, PMSCO applied for the Paycheck Protection Program (PPP) administered by the United States Small Business Administration and authorized by the Keeping American Workers Employed and Paid Act, which is part of the Coronavirus Aid, Relief, and Economic Security Act, enacted on March 27, 2020. The PPP provides small businesses with funds to pay payroll costs including benefits. Funds can also be used to pay interest on mortgages, rent, and utilities. PMSCO was approved for and received disbursement of a loan in the amount of $267,100 from its primary lender pursuant to the PPP. There can be no assurance that any portion of the loan will be forgiven pursuant to the terms of the PPP and the PMSCO may be responsible for repayment of the entire principal balance in equal monthly installments beginning in November and through April 2022, plus interest, accruing at an annual rate of one percent.

SUPPLEMENTARY INFORMATION

PENNSYLVANIA MEDICAL SOCIETY

Consolidating Statements of Financial Position
December 31, 2019

	Pennsylvania Medical Society	Pennsylvania Medical Political Action Committee	Pennsylvania Medical Society Political Action Committee	Pennsylvania Medical Society Alliance	PennMed Member Services Company	The Foundation of The Pennsylvania Medical Society Combined	Eliminating Entries	Consolidated Total
ASSETS								
Cash and cash equivalents (Note 2)	$ 4,628,417	$ 66,722	$ 3,099	$ -	$ 249,065	$ 835,660	$ -	$ 5,782,963
Accounts receivable (Note 2)	265,976	-	-	-	265,961	120,822	-	652,759
Prepaid expenses and advances	323,949	-	-	-	18,462	14,342	-	356,753
Investments (Notes 2 and 4)	166,863,032	-	-	-	-	9,199,420	-	176,062,452
Accrued interest receivable	-	-	-	-	-	198,028	-	198,028
Assets held in charitable remainder trust (Notes 4 and 8)	-	-	-	-	-	120,029	-	120,029
Other receivables (Note 9)	263,463	-	-	-	-	-	-	263,463
Loans receivable (Note 5)	-	-	-	-	-	4,433,785	-	4,433,785
Property and equipment, net (Notes 2 and 6)	3,606,110	-	-	-	22,774	47,852	-	3,676,736
Beneficial interest in perpetual trust (Notes 4 and 7)	-	-	-	-	-	780,390	-	780,390
Contributions receivable from split-interest agreements (Notes 4 and 8)	-	-	-	-	-	121,342	-	121,342
Net assets of controlled not-for-profit organizations	13,738,089	-	-	-	-	-	(13,738,089)	-
Due from related party	48,272	-	-	-	-	-	(48,272)	-
TOTAL ASSETS	$ 189,737,308	$ 66,722	$ 3,099	$ -	$ 556,262	$ 15,871,670	$ (13,786,361)	$ 192,448,700
LIABILITIES AND NET ASSETS								
Liabilities:								
Membership dues collected in advance (Note 2)	$ 1,727,920	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,727,920
Accounts payable and accrued expenses	573,520	-	-	-	110,387	55,805	(10,350)	729,362
Liabilities under split-interest agreement (Notes 4 and 8)	-	-	-	-	-	173,436	-	173,436
Pension liability (Notes 2 and 11)	10,891,685	-	-	-	1,106,966	1,603,701	-	13,602,352
Due to affiliated company	-	165	50	-	-	37,707	(37,922)	-
Other liabilities (Note 2)	202,871	-	-	-	-	332,538	-	535,409
Postretirement healthcare plan (Notes 2 and 12)	171,243	-	-	-	-	-	-	171,243
Deferred gain on sale of building (Note 6)	168,622	-	-	-	-	-	-	168,622
Investment in subsidiary	661,091	-	-	-	-	-	(661,091)	-
Total liabilities	14,396,952	165	50	-	1,217,353	2,203,187	(709,363)	17,108,344
Net assets / stockholder's deficit:								
Stockholder's deficit:								
Common stock	-	-	-	-	1,100	-	(1,100)	-
Additional paid-in capital	-	-	-	-	19,096,272	-	(19,096,272)	-
Accumulated deficit	-	-	-	-	(19,101,798)	-	19,101,798	-
Accumulated other comprehensive loss	-	-	-	-	(656,665)	-	656,665	-
Total stockholder's deficit	-	-	-	-	(661,091)	-	661,091	-
Net Assets (Note 2):								
Without donor restrictions:								
Board designated endowment fund (Notes 14 and 15)	117,112,001	-	-	-	-	3,760,765	-	120,872,766
Board designated special purpose funds (Note 14)	49,165,940	-	-	-	-	-	-	49,165,940
Undesignated	9,062,415	66,557	3,049	-	-	5,549,202	(13,738,089)	943,134
	175,340,356	66,557	3,049	-	-	9,309,967	(13,738,089)	170,981,840
With donor restrictions (Note 16)	-	-	-	-	-	4,358,516	-	4,358,516
Total net assets	175,340,356	66,557	3,049	-	-	13,668,483	(13,738,089)	175,340,356
TOTAL LIABILITIES AND NET ASSETS	$ 189,737,308	$ 66,722	$ 3,099	$ -	$ 556,262	$ 15,871,670	$ (13,786,361)	$ 192,448,700

PENNSYLVANIA MEDICAL SOCIETY

Consolidating Statements of Activities
Year Ended December 31, 2019

	Pennsylvania Medical Society	Pennsylvania Medical Political Action Committee	Pennsylvania Medical Society Political Action Committee	Pennsylvania Medical Society Alliance	PennMed Member Services Company	The Foundation of The Pennsylvania Medical Society Combined	Eliminating Entries	Consolidated Total
Changes in net assets without donor restrictions:								
Revenues and other support:								
Membership dues	$ 2,888,501	$ 75,205	$ -	$ -	$ -	$ -	$ -	$ 2,963,706
Contract revenue	-	-	-	-	330,865	-	-	330,865
Fees for services	-	-	3,011	-	-	1,175,407	-	1,178,418
Specialty Society Management Services	2,326,891	-	-	-	-	-	-	2,326,891
Physician Services	89,603	-	-	-	-	-	-	89,603
CME Certification/Accreditation	153,427	-	-	-	-	-	-	153,427
Interest income on loans	-	-	-	-	-	211,074	-	211,074
Interest income	30,962	-	-	-	-	-	-	30,962
Contributions, bequests, and fundraising	-	-	-	8,280	-	1,281,603	(806,092)	483,791
Royalty income - insurance	26,431	-	-	-	-	-	(26,431)	-
Endorsement agreement (Note 13)	200,000	-	-	-	-	-	-	200,000
Miscellaneous	196,715	-	-	103	-	-	-	196,818
	5,912,530	75,205	3,011	8,383	330,865	2,668,084	(832,523)	8,165,555
Expenses:								
Programs and services:								
Physician advocacy and political affairs	1,766,160	-	-	-	-	-	-	1,766,160
Physician leadership, education, and practice support	2,091,060	-	-	-	-	-	-	2,091,060
Membership communications	1,234,337	-	-	-	-	-	-	1,234,337
Membership leadership	726,997	-	-	-	-	-	-	726,997
Clinically integrated network	-	-	-	-	2,665,611	-	(26,431)	2,639,180
Medical student loans	-	-	-	-	-	81,170	-	81,170
LifeGuard	-	-	-	-	-	600,826	-	600,826
Physicians' Health Programs	-	-	-	-	-	920,560	-	920,560
General projects	-	-	-	78,054	-	161,115	-	239,169
Political action program	-	95,601	-	-	-	-	-	95,601
	5,818,554	95,601	-	78,054	2,665,611	1,763,671	(26,431)	10,395,060
Administration and support:								
Management and general	3,175,972	4,017	1,718	11,277	601,143	373,223	(806,092)	3,361,258
Fundraising	2,347,912	-	-	-	-	214,880	-	2,562,792
	11,342,438	99,618	1,718	89,331	3,266,754	2,351,774	(832,523)	16,319,110
Changes in net assets without donor restrictions before investment return, net, other changes, and pension related changes other than net periodic pension costs	(5,429,908)	(24,413)	1,293	(80,948)	(2,935,889)	316,310	-	(8,153,555)
Investment return, net (Note 4):								
Net realized and unrealized gains in fair value of investments, net of investment fees	22,155,756	-	-	-	-	662,902	-	22,818,658
Interest and dividend income	2,320,252	90	-	-	-	213,077	-	2,533,419
	24,476,008	90	-	-	-	875,979	-	25,352,077

Continued...

Consolidating Statements of Activities, Continued
Year Ended December 31, 2019

	Pennsylvania Medical Society	Pennsylvania Medical Political Action Committee	Pennsylvania Medical Society Political Action Committee	Pennsylvania Medical Society Alliance	PennMed Member Services Company	The Foundation of The Pennsylvania Medical Society Combined	Eliminating Entries	Consolidated Total
Changes in net assets without donor restrictions before other changes and pension related changes other than net periodic pension costs	19,046,100	(24,323)	1,293	(80,948)	(2,935,889)	1,192,289	-	17,198,522
Other changes:								
Other components of net periodic pension cost	(496,256)	-	-	-	(137,994)	(63,667)	-	(697,917)
Equity in losses of subsidiary	(3,187,227)	-	-	-	-	-	3,187,227	-
Net assets released from donor restrictions	-	-	-	-	-	228,323	-	228,323
Change in net assets without donor restrictions of controlled not-for-profit organizations	1,109,148	-	-	-	-	-	(1,109,148)	-
	(2,574,335)	-	-	-	(137,994)	164,656	2,078,079	(469,594)
Changes in net assets without donor restrictions before pension related changes other than net periodic pension costs	16,471,765	(24,323)	1,293	(80,948)	(3,073,883)	1,356,945	2,078,079	16,728,928
Pension related changes other than net periodic pension costs (Note 11)	(380,314)	-	-	-	(113,344)	(143,819)	-	(637,477)
Changes in net assets without donor restrictions	16,091,451	(24,323)	1,293	(80,948)	(3,187,227)	1,213,126	2,078,079	16,091,451
Changes in net assets with donor restrictions:								
Contributions	-	-	-	-	-	244,678	-	244,678
Realized and unrealized gains, net	-	-	-	-	-	441,985	-	441,985
Unrealized gains on beneficial trust	-	-	-	-	-	104,842	-	104,842
Income on long-term investments	-	-	-	-	-	51,718	-	51,718
Change in value of split-interest agreements	-	-	-	-	-	(16,403)	-	(16,403)
Net assets released from restrictions	-	-	-	-	-	(228,323)	-	(228,323)
Change in net assets with donor restrictions of controlled not-for-profit organizations	598,497	-	-	-	-	-	(598,497)	-
Changes in net assets with donor restrictions	598,497	-	-	-	-	598,497	(598,497)	598,497
Changes in net assets	$ 16,689,948	$ (24,323)	$ 1,293	$ (80,948)	$ (3,187,227)	$ 1,811,623	$ 1,479,582	$ 16,689,948